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HRI Food Service Sector

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Report Highlights:

Finland's hotel, restaurant and institution (HRI) food service sector has enjoyed positive developments in the past five years. The HRI sector has become more diversified and could entertain potential for U.S. food and drink products. The ready meals segment is in particular showing a high growth rate in Finland as in-store eating and take away are becoming more and more common. It is estimated that about 20 percent of meals are eaten out of the home at present and the fast food sector is gaining the most from this new trend. Restaurant sales are thus expected to increase by some 10-15 percent in coming years.

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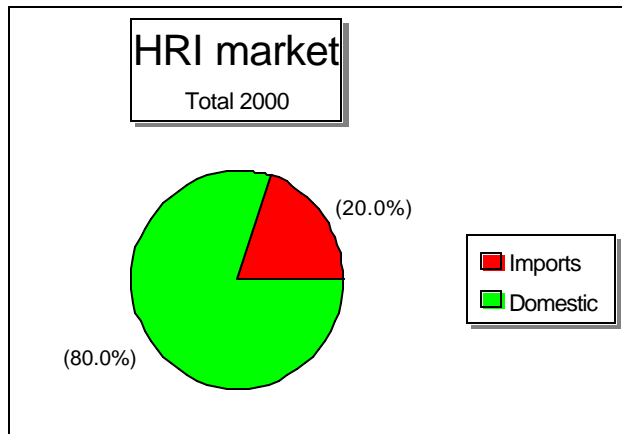
SECTION I. MARKET SUMMARY

Finland is a small country with a population of about 5 million. Living standards are very high in Finland and its infrastructure is highly developed, including telecommunications and information technology systems. According to Statistics Finland, inflation amounted to 2.2 percent in September 2000, of which higher food prices accounted for as much as one third of inflation (0.8 percent). The rise was mainly caused by higher prices for meat, in particular for pork and processed meat. Despite the current global economic downturn, Finns nevertheless continue to be positive about their own economy and 25 percent are confident that their personal financial situation will improve.

The number of meals eaten out of the home in Finland and the amount of money spent on dining out has risen greatly in the past few years. It is currently estimated that about every third Finn eats at least one prepared meal outside the home every day. Some 700 million meals were prepared by catering kitchens in Finland in 1999, which equates to about 135 meals per person. It should be noted, however, that the majority of these meals were served at schools. Of the share of meals served outside the home, cafeterias accounted for 17 percent, hotels and restaurants 14 percent, and institutions such as hospitals, homes for the elderly and childcare facilities accounted for about 10 percent each. Some 40 percent of adults aged between 25-64 report eating three conventional meals per day (breakfast, a warm lunch and a warm dinner). An increasing number of Finns eat a warm meal outside the home. In 2000, total sales for the HRI industry amounted to approximately USD 4.7 billion, of which restaurant sales accounted for some USD 2.5 billion, institutional food sales accounted for some USD 1.2 billion, and café sales for USD 1 billion. This is an increase of about 25 percent since the mid-1990s.

The food industry in Finland is the fourth largest branch of industry following the metal and engineering, forest and chemical industries. The share of Finns' disposable income spent on food, drinks and grocery markets and on restaurant visits increased by about 6 percent between the years of 1995-2000. Moreover, the supply of ready-to-go/take-away food has expanded in accordance with the increased value placed on convenience and time. A widened variety of home meal replacements (HMRs) and ready-to-go meals and products have entered the Finnish market. A clear broadening of the assortment range can be observed in both supermarkets and restaurants. Grocery stores are starting to profit from this trend by providing ready-prepared home meal replacements. This development could provide good opportunities for manufacturers with the capacity to supply products that fit the current trends.

The catering market enjoys a very strong position in the food service industry in Finland as catering kitchens have a long tradition of serving much of the Finnish population in schools, homes for the elderly and childcare facilities. Catering in government and private sector institutions accounted for about 30 percent of HRI sales. Finland's expanding and increasingly diversified food service industry could provide potential for U.S. exporters of food and as well as beverages. The share of imported products in the HRI market supply is projected to increase by 10-20 percent by 2003.



The heightened demand for dining out is caused by some demographic and economic factors, which are briefly discussed below:

- Income distribution – Income is relatively evenly distributed compared to other countries. Dining out is therefore something that most Finns can enjoy and is not only limited to those with higher incomes.
- High presence of smaller and more single-person households – The size of the average Finnish family is in general small with an average of 1-2 children per household. Single person households account for approximately 17 percent of the total population.
- High number of women in the workforce – Women make up about 48 percent of the total labor force of 2.5 million. This along with the presence of smaller and single-person households contributes to an increased demand for convenience in food consumption patterns.
- Menu diversification – The influx of ethnic foods from all over the world is both a reflection and a cause of the diversification of tastes in cuisine in Finland.

An increasing number of foreign visitors to the country for business travel and an expanding number of international conferences has also contributed to the increased importance of the food service sector to the overall Finnish economy.

Advantages and Challenges Facing U.S. Products in Finland

Advantages	Challenges
Popularity of American culture carries over to American food products	The current strength of the US dollar makes US products more expensive
U.S. fast food and restaurant chains are popular and familiar to Finns	Finnish food safety laws are relatively stringent. Resistance to genetically modified food content
U.S. Suppliers can supply reliably large volumes and consistent quality to large chains	European competitors are not faced with the same tariff and transportation costs as US suppliers.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

To successfully enter the Finnish market it is generally recommended that the exporter contact an importer or wholesaler directly. Products destined for Finland should entirely conform with Finland's food safety, quality and labeling rules and regulations. Finnish food regulations have been generally harmonized with EU regulations. Finnish food legislation concerning additives, pesticide residues and certain other contaminants, package labeling and materials, and articles in contact with foodstuffs, have been harmonized with EU directives. Nonetheless, some national regulations still exist in Finnish food legislation, which are stricter than those of the EU. Furthermore, the EU Commission has recently proposed more stringent laws for ready-made food products as demand has greatly increased in the past few years. The HRI sector is, like the food retail sector in Finland, dominated by a handful of large import/wholesale/retail groups. This simplifies the process of locating potential buyers in the Finnish HRI market. Wholesalers are a great source of information and provide guidance on business practices, trade-related laws, and arranging sales contacts with existing and potential buyers in addition to market development expertise. Most players in the HRI market use wholesalers for supply as they furnish a wide assortment of products, ample storage capacity and are able to provide on-time delivery. Furthermore, wholesalers cater to the demands of the HRI industry. To clarify, a restaurant, hotel or institutional contractor can contact a wholesaler and ask them to import a specific product for their needs. It is therefore possible for a US exporter to contact a hotel or restaurant in Finland to find out if there is any demand for a certain product on the Finnish market. If so, the hotel and/or restaurant can then request that a wholesaler import the product. Hence, when entering the Finnish HRI market, it is advantageous to find out what is in demand and get on a wholesaler's list by adjusting to local conditions and trends. Direct contacts by producers are welcomed.

B. Market Structure

A few large companies which operate on the wholesale market in Finland account for about 60 percent of sales. These wholesalers have a wide product assortment, ample storage and excellent distribution capacities, which make it relatively easy to gain access to the entire Finnish market. The large wholesalers have a strong position on the Finnish food service market and restaurants and hotels have close relationships with them. Local conditions and trends determine what wholesalers in Finland import. Inex and Wihuri are the largest wholesalers on the market at present, followed by Meiranova, Kespro (part of the Kesko group) and Heinon Tukku. These wholesalers sell to hotels, restaurants, restaurant canteens, fast food outlets, kiosks, cafés etc. Wholesalers note a rapid increase in the demand for HMR foods and products for fast food outlets. Wholesalers are good sources for information regarding current trends and items in demand.

Wholesalers

Company name	Food Sales (\$Mil.)
Wihuri Oy Aarnio	\$500 approx.
Inex	\$400 approx.
Meiranova	\$280
Kespro	\$250
Heinon Tukku	\$100

C. Sub-Sector Profiles

1. Hotels

Company name	Food Sales (\$Mil.)	No. of Outlets	Location	Purchasing Agents(s)
Sokos Hotels Oy	\$94	45	Nationwide	Local Wholesaler
Scandic Hotels Oy	\$74	25	Nationwide	Local Wholesaler
Cumulus Oy	\$55	22	Nationwide	Local Wholesaler
Best Western	\$50	20	Nationwide	Local Wholesaler
Rantasipi	\$20	9	Scenic areas	Local Wholesaler

Tourism has become an increasingly important part of the overall Finnish economy and hotels and restaurants account for about 20 percent of tourism revenues. The hotel and restaurant business has benefited from the increase in travel to Finland and the largest companies within this sector enjoyed a turnover of approximately USD 2.8 billion in 2000. The hotel and restaurant business segment continued to grow in Finland in 2000 although at a slower rate than the previous year. The volume of food sales in hotels and restaurants increased by 2 percent in 2000.

As in other Scandinavian and European countries, mergers and acquisitions are on-going in the Finnish hotel and restaurant business. The trend throughout is towards fewer but larger players. Although domestic companies dominate, more and more foreign companies are entering the Finnish market. Finland has a long history of cooperative societies in these sectors in addition to foreign-owned hotel and restaurant chains existent there. The S-Group, for example, is one of the largest cooperatives. The group's businesses include food and groceries, specialty goods, department stores, hotels and restaurants, hardware and agriculture, automobiles and service stations. Another cooperative, the Tradeka Corporation, is owned by some 370,000 Finnish consumers. Tradeka is not involved in business operations itself, but it owns 100 percent of the business operations of its subsidiaries. Eighty-three percent of the Tradeka Corporation's turnover comes from retail operations (Tradeka Ltd) and 17 percent from hotels and restaurants (Restel Ltd). Restel Ltd is the largest single hotel and restaurant business in Finland. Restel Consolidated is made up of a total of 34 hotels and 244 restaurants which are located throughout Finland. Its restaurant mix ranges from city pubs to family and event restaurants.

The company has an annual turnover of about USD 150 million and employs 1,670 people. Restel's hotels form three chains. The Ramada Hotels (5 in operation) is the international chain catering to business travelers, while Cumulus Hotels are oriented toward business and leisure travel in urban areas, and the Rantasipi Hotels focus on adventure travel, conferences, recreational activities, and vacation travel and are located within easy reach of the large cities. Additionally, Restel owns the Holiday Inn Garden Court Hotel located near the Helsinki-Vantaa airport. Restel's restaurant services also benefit from their relationship with Tradeka's supply and distribution network.

2. Restaurants: traditional and fast food

Company name	Food Sales (\$Mil.)	Number of Outlets	Nationality	Purchasing Agent(s)
Restel Ravintolat Oy	\$76	250	Finnish	Local Wholesaler
McDonald's Oy	\$100 approx.	89	US	Own Wholesaler
Carrols Oy	\$32	30	Finnish	Local Wholesaler
Hesburger	\$68	>100	Finnish	Local Wholesaler
Koti Pizza	\$51	370	Finnish	Local Wholesaler
Golden Rax Pizza Buffet	\$40 approx.	15	Finnish	Local Wholesaler
Subway	\$1 approx.	5	US	Own Wholesaler
Royal Rest. Oy	\$35	18	Finnish	Local Wholesaler

Of the above mentioned fast-food restaurant chains, Koti Pizza enjoys the largest market share with 44 percent, McDonalds has 43 percent, Hesburger has 31 percent, Carrols Oy has 22 percent and Golden Rax Pizza Buffet has 14 percent.

To support demand trends the number of restaurants, including cafeterias, fast-food outlets, canteens, hotel restaurants and other types of lodging and recreational facilities has increased steadily since the mid-1990s. Restaurants experienced a 6.5 percent increase in sales between 1999-2000. Fast-food sales have almost doubled since the mid-1990s. The growth in the number of fast-food outlets including McDonald's, Carrols, Subway, Pizza Hut, etc. has been significant. In 2000, the number of fast food outlets declined by 2.3 percent compared with the previous year, however. The value of fast-food sales remained more or less the same in 2000 at the same time as the volume dropped. Sales value of the five largest chains increased by a modest 0.5 percent in 2000, while volume dropped by 3.6 percent from the previous year's level. Total sales for fast-food restaurants amounted to some USD 300 million and the total number of fast-food outlets amounted to 564 in 2000. Turnover has increased steadily within the fast food sector in the past five years and is forecast to continue in this direction.

Fast-food restaurants have potential for US exporters as they are major consumers of imported French fries, mozzarella sticks, breadsticks, nachos and the like. Many new health-oriented menu alternatives are also entering the fast-food market. Coffee shops are becoming increasingly popular in the Finnish market and could provide opportunities for US suppliers of items such as frozen deserts, cakes and cookies (e.g. cheesecake and brownies), and drink flavourings.

3. Institutional

Company name	Food Sales (\$Mil.)	Type and Number of Outlets Catering for:	Ownership	Purchasing Agent(s)
Amica	\$290	760 Businesses, schools, conferences, sports and other events.	Finnish	Local Wholesalers
Sodexho	\$101	335 Businesses, schools, hospitals, conferences, etc.	French	Local Wholesalers
Antel	\$8	Restaurants in businesses	Finnish	Local and Direct Wholesalers

The institutional market is also dominated by a few large companies including, Amica, Sodexho and Antel. There are also smaller companies that operate in this market. The local municipalities operate in this market owing to Finland's large public sector involvement in health care, schooling, childcare services, and elderly care facilities. The large companies are indirectly involved in the importation of consumer-ready food products via wholesalers and they also have local agreements with producers. The largest segment of the institutional food service market and the one that could provide the greatest potential for US exporters is the school/business restaurant/cafeteria segment of the HRI industry. The school meals service in Finland is special in that it has a long tradition of serving free school lunches daily in comprehensive schools, upper-secondary schools and vocational institutes. The first catering kitchens were established in the early 1900s. Also, since 1979, university students have enjoyed subsidized meals. Menus for various schools are established locally in municipalities and schools. Private and public catering at schools and work places have had a major influence on Finnish meal patterns, as close to 60 percent of Finnish adults report eating a warm meal at lunchtime rather than at dinnertime. The Finnish diet has changed significantly since the early 1970s, with greater attention being paid to health and nutritional values. Accordingly, consumption of vegetables has increased, as has consumption of fruits, berries and fish. Frozen and canned fish and seafood products are items that were mentioned during interviews with purchasing managers at the large institutional contractors. Specific opportunities may therefore exist for US exporters of frozen and canned fish and seafood products, and frozen and canned vegetables.

SECTION III. COMPETITION

Finnish suppliers dominate the market. Most products bound for the food service industry are locally produced. New trends, however, have come from abroad. Accordingly, Finnish food service manufacturers have adapted to changing trends and tastes. The demand for organic and functional foods and HMR is still comparatively small but is increasing rapidly. In the past year, a 30 percent increase was noted for total sales of organic and functional foods in Finland. Finnish consumers are very conscious about health and food safety issues and have confidence in the safety of locally produced foods. Imported food products account for approximately 20 percent of HRI food purchases at present. It should be mentioned that there is some difficulty estimating the exact figures for imports as much of production occurs in Finland while the raw ingredients are imported. Major competitors in the import market are mainly within the EU. Imported products are mainly supplied by primarily German, Danish, Swedish, Norwegian and Russian competitors. Supplies from EU member countries have a further price advantage because they are not subject to the EU's external duty/tariff structure.

SECTION IV. BEST PRODUCT PROSPECTS

Below is a brief discussion of the best product prospects for US suppliers by product category. Other products with considerable sales potential pertaining to a specific sub-sector of the food-service market have also been mentioned previously in the various sub-sector profile sections of this report.

A. Products Present in the Market which have Good Sales Potential

1. Canned and Dried Products

Many of the large wholesalers currently import raisins, prunes, almonds and other dried fruits and nuts for the large catering companies that service restaurants and cafeterias in businesses and schools, elderly care facilities and childcare centers. In general, there is high demand for products that cannot be grown in Finland.

2. Fish and Seafood Products

There are notable opportunities for fish and all types of shellfish, especially frozen lobster and salmon. Additionally, canned and processed fish and shellfish are also desirable in this market. Restaurants and wholesalers (in addition to retailers) note an increased demand for fish and seafood products since there is little competition in this market, prices remain high. Local contracts with producers are desirable. Norway is at present the largest supplier of fresh and frozen seafood to the Finnish market.

3. Beverages, including Beer and Wine

The consumption of both alcoholic and non-alcoholic beverages has increased during the past 20 years. The strongest upward trend has been noted in the consumption of beer, which has almost doubled since the 1980s. Total consumption of alcoholic beverages including wine and beer was estimated to be 9.0 liters per person. There has, however, been a trend towards milder beverages since the 1980s. Finland is thus a good market for carbonated beverages, wine and beer as the market has grown steadily in the past few years. Wine consumption is expected to continue to increase in the years ahead. Other European countries such as France, Italy and Spain enjoy a competitive advantage in the market for wine. Nevertheless, American wines have become increasingly popular.

4. Frozen fruit and vegetables

The change in trend towards healthier eating amongst the Finnish population may present interesting opportunities for US exporters of frozen fruits and vegetables as consumption of these items has been rising steadily over the past decade. Wholesalers prefer to deal in large volumes.

5. Frozen deserts and cakes

As the coffee shop trend is entering Finland, there may be some opportunity for US suppliers to enter this market with frozen deserts and cakes that go hand in hand with the coffee shop concept. As previously mentioned, there may be opportunities for frozen cheesecake, brownies, muffins and American cookies and coffee syraps, for example.

F. Products not Present in Significant Quantities but which have Good Sales Potential:

There are some products that fit into the health- and functional foods category. Finnish food manufacturers do currently supply some products in this category but there is demand for a more diversified product assortment.

G. Products not Present Because they Face Significant Barriers

1. Meats/Pork/Poultry

Finland continues to have significant barriers to beef (hormone ban) and poultry (phytosanitary restrictions) imports from the US. Meat consumption increased greatly between 1950-1970 and since then it has remained rather stable although preferences for different types of meat have changed. Pork is still the most common type of meat consumed in Finland, however, the consumption of poultry has risen remarkably since the early 1980s. Consumption of meat is about four times higher than consumption of fish in Finland. Thus, while there may be demand for these products US suppliers are hindered from entering this market.

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Finland, please contact us at:

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